

INDIVIDUAL ENTITY AUDIT REPORT

**IDAHO WHEAT COMMISSION**

For the Fiscal Year Ended June 30, 2005



*Report OP40605*

*Presentation by the*

***LEGISLATIVE SERVICES OFFICE***

*SERVING IDAHO'S*

*CITIZEN LEGISLATURE*

## LEGISLATIVE SERVICES' MISSION STATEMENT

The mission of the Legislative Services Office is to provide efficient, nonpartisan support services to Idaho's citizen legislators, to carry out legislative policies so as to strengthen the legislature's management as a separate branch of government, and to assist the legislature in carrying out its constitutional responsibilities to the highest standards of integrity and professional excellence. (Approved by the Legislative Council, January 20, 1994.)

## LEGISLATIVE AUDITS' CHARGE

Legislative Audits, a division of Legislative Services, is charged by the Legislative Council to provide a financial audit of the statewide annual financial report prepared by the State Controller, as required by Idaho Code, Section 67-429. In addition to special reports and requested studies, Legislative Audits produces three types of audit reports and two types of management reports (described below) for the Joint Finance-Appropriations Committee and other interested parties. These audits, reports, and studies, which vary in scope, provide information for oversight of State finances for the legislature, government entities, and the public, as well as satisfying federal audit requirements.

### DESCRIPTION

### LEVEL OF SCRUTINY

#### **COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

Our opinion as to the fairness of presentation of the annual statewide financial statements; a reference to our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants issued under separate cover in the State's *Single Audit*.

#### **STATEWIDE SINGLE AUDIT REPORT**

Our opinion on the schedule of expenditures of federal awards in relation to the State's basic financial statements taken as a whole; a report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; a report on compliance with requirements applicable to each major program, and on internal control over compliance in accordance with *OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)*; recommendations to improve the State's financial/accounting system; and recommendations and questioned costs related to federal awards. In addition, the report includes the State's basic financial statements and the related opinion thereon.

#### **INDIVIDUAL ENTITY AUDIT REPORT**

Our opinion on the fairness of presentation of the entity's financial statements; a report on compliance, and on internal control over financial reporting, based on an audit of financial statements performed in accordance with Government Auditing Standards; if applicable, a report on compliance with requirements of each major program, and on internal control over compliance in accordance with *OMB Circular A-133*.

#### **MANAGEMENT REPORT ON FINANCIAL PROCEDURES**

A report based on specific procedures applied to the financial segments material to the statewide financial statement and an internal control review of those financial segments not deemed material to the statewide financial statements, or an audit of a major federal grant. Findings and recommendations are included, if applicable, to improve policies, procedures, compliance, controls, and the entity's overall efficiency.

#### **MANAGEMENT REPORT ON INTERNAL CONTROL**

A cyclical report highlighting the entity's internal control with findings and recommendations, if applicable, to improve the system to prevent errors, omissions, misrepresentations, oversights, and fraud, thus protecting State resources.

# FOREWORD

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## PURPOSE OF AUDIT

Our fiscal/compliance audit of the Idaho Wheat Commission was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the financial statements.
2. The degree of compliance with various State and federal requirements affecting the fiscal operations of the Commission.
3. The areas in the financial operations that could be improved.

## SCOPE OF AUDIT

We examined the financial operations of the Commission for the fiscal year ended June 30, 2005.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the fiscal/compliance section of the *Government Auditing Standards* published by the U.S. General Accounting Office (GAO).

Information contained in this report was gathered from accounting and administrative records. We also interviewed Commission personnel.

## AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

## ASSIGNED STAFF

Patrick Aggers, CPA, Staff Auditor

## ADMINISTRATION AND TECHNICAL REVIEW

Ray Ineck, CGFM, Supervisor, Legislative Audits  
Thomas Haddock, CPA, CGFM, Managing Auditor

## GRAPHIC LOGISTICS

Rande Trueax

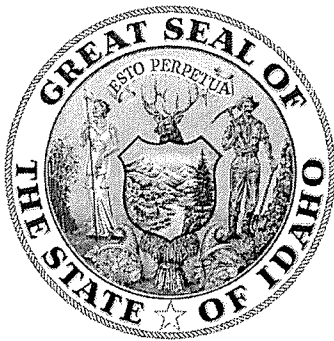
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# AGENCY RESPONSE

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## *EXECUTIVE SUMMARY LEGISLATIVE AUDITS*

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### IDAHO WHEAT COMMISSION

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**PURPOSE AND SCOPE.** We have audited the financial statements of the Idaho Wheat Commission for the fiscal year ended June 30, 2005, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine if the Commission's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

**CONCLUSION.** We conclude that the Commission's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Commission's financial statements.

**FINDINGS AND RECOMMENDATIONS.** There are no findings and recommendations in this report, nor were there any findings and recommendations in the prior report. However, we did suggest minor internal control improvements.

**AGENCY RESPONSE.** The Commission has reviewed the report and is in general agreement with its contents.

**FINANCIAL SUMMARY.** The Commission is funded primarily by a 1½¢ tax per bushel levied against wheat sold in Idaho in the primary channels of trade. The wheat growers are responsible for payment of the tax, which is collected and remitted by the first purchaser of the wheat. The tax collected is used for administration, research, marketing, and promotional activities. A summary of the Commission's financial activity for fiscal year 2005 follows.

#### IDAHO WHEAT COMMISSION – BALANCE SHEET AT JUNE 30, 2005

	<u>Special Revenue Fund</u>
<u>ASSETS</u>	
Cash and Investments	\$2,216,392
Receivables	<u>132,562</u>
Total Assets	<u>\$2,348,954</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$84,859
Payroll and Benefits Payable	<u>13,929</u>
Total Liabilities	<u>\$98,788</u>
Fund Balance:	
Unreserved and Undesignated Fund Balance	<u>\$2,250,166</u>
Total Liabilities and Fund Balance	<u>\$2,348,954</u>

**IDAHO WHEAT COMMISSION – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FISCAL YEAR ENDED JUNE 30, 2005**

		<b><u>Special Revenue Fund</u></b>
<b><u>REVENUES</u></b>		
Wheat Assessments		\$1,457,621
Royalties		2,961
Interest Income		49,375
Rental Income		<u>45,920</u>
Total Revenue		\$1,555,877
<b><u>EXPENDITURES</u></b>		
Marketing	\$331,592	
Research	537,142	
Producer Information	364,298	
Education and Promotion	65,537	
Administration	354,251	
Capital Outlay	<u>6,851</u>	
Total Expenditures		<u>1,659,671</u>
Excess (Deficiency) of Revenues Over Expenditures		(\$103,794)
Beginning Fund Balance		<u>2,353,960</u>
Ending Fund Balance		<u><u>\$2,250,166</u></u>

**OTHER ISSUES.** We discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Wheat Commission and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank the executive director, Blaine Jacobson, and his staff for their assistance and cooperation given to us during this audit.

**QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:**

Ray Ineck, CGFM, Supervisor, Legislative Audits  
Thomas Haddock, CPA, CGFM, Managing Auditor



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*"Working to maximize profitability for Idaho wheat producers."*

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October 5, 2005

Ray Ineck, CGFM  
State Capitol  
P.O. Box 83720  
Boise, Idaho 83702-0054

Re: Fiscal/Compliance Audit of the Idaho Wheat Commission

Dear Mr. Ineck:

We have reviewed the results of the draft copy of the FY2005 audit and concur with the results. A final copy of the audit, upon receipt from your office, will be distributed to both the Senate and House agriculture committees of the Idaho legislature, the Controller of the State of Idaho and the members of the Idaho Wheat Commission. We need 36 copies of the audit to complete this distribution.

The Staff and I would like to extend our gratitude to you for the timely and professional approach to the audit. We also appreciate your attention to detail.

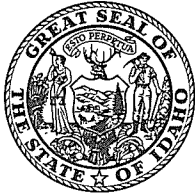
Sincerely,

A handwritten signature in dark ink, appearing to read "Blaine Jacobson", followed by a long horizontal flourish.

Blaine Jacobson, Executive Director  
Idaho Wheat Commission

cc: Idaho Wheat Commission  
Thomas Haddock, CPA, CGFM





# Legislative Services Office Idaho State Legislature

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Carl F. Bianchi  
Director

State Capitol  
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Boise, ID 83720-0054  
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[www2.state.id.us/legislat](http://www2.state.id.us/legislat)

August 30, 2005

Unqualified Opinion on  
Basic Financial Statements

## Independent Auditor's Report

Joint Finance-Appropriations Committee  
of the Idaho State Legislature  
State Capitol Building  
Statehouse Mail

Senators and Representatives:

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Idaho Wheat Commission as of and for the year ended June 30, 2005, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Commission as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2005, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

04

Mike Nugent, Supervisor  
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Glenn Harris, Supervisor  
Network Administration  
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*Serving Idaho's Citizen Legislature*

The Commission has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information contained in the required supplementary information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Very truly yours,

A handwritten signature in black ink, reading "Thomas R. Haddock". The signature is written in a cursive style with a large, stylized "H" and "D".

Thomas Haddock, CPA, CGFM  
Legislative Audits

STATE OF IDAHO  
IDAHO WHEAT COMMISSION  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2005

	Governmental Activities
ASSETS	
Cash and Investments	\$2,216,392
Receivables	132,562
Capital Assets, Net of Accumulated Depreciation	<u>1,176,757</u>
Total Assets	<u>\$3,525,711</u>
LIABILITIES	
Accounts Payable	\$84,859
Payroll and Benefits Payable	13,929
Long-Term Liabilities	
Due Within One Year	
Compensated Absences	5,632
Due in More Than One Year	
Compensated Absences	<u>5,411</u>
Total Liabilities	<u>\$109,831</u>
NET ASSETS	
Invested in Capital Assets	\$1,176,757
Unrestricted	<u>2,239,123</u>
Total Net Assets	<u><u>\$3,415,880</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO  
IDAHO WHEAT COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities</u>
Governmental Activities:			
Marketing	\$331,592	\$0	(\$331,592)
Research	537,142	2,961	(534,181)
Producer Information	364,298	0	(364,298)
Education and Promotion	65,537	0	(65,537)
Administration	386,607	45,920	(340,687)
Total	<u>\$1,685,176</u>	<u>\$48,881</u>	<u>(\$1,636,295)</u>
General Revenues:			
Wheat Assessments			1,457,621
Interest Income			<u>49,375</u>
Total General Revenues			<u>\$1,506,996</u>
Change in Net Assets			(\$129,299)
Beginning Net Assets			<u>3,545,179</u>
Ending Net Assets			<u>\$3,415,880</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO  
IDAHO WHEAT COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUND  
AS OF JUNE 30, 2005

	Special Revenue Fund
ASSETS	
Cash and Investments	\$2,216,392
Receivables	132,562
Total Assets	<u>\$2,348,954</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$84,859
Payroll and Benefits Payable	13,929
Total Liabilities	<u>\$98,788</u>
Fund Balances:	
Unreserved and Undesignated Fund Balance	<u>\$2,250,166</u>
Total Liabilities and Fund Balance	<u>\$2,348,954</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO  
IDAHO WHEAT COMMISSION  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2005

Total Fund Balances for Governmental Funds	\$2,250,166
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	1,176,757
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Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. This consists of compensated absences.	<u>(11,043)</u>
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Net Assets of Governmental Activities	<u><u>\$3,415,880</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO  
IDAHO WHEAT COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Fund
REVENUES	
Wheat Assessments	\$1,457,621
Royalties	2,961
Interest Income	49,375
Rental Income	45,920
Total Revenues	<u>\$1,555,877</u>
EXPENDITURES	
Marketing	\$331,592
Research	537,142
Producer Information	364,298
Education and Promotion	65,537
Administration	354,251
Capital Outlay	6,851
Total Expenditures	<u>\$1,659,671</u>
Excess (Deficiency) of Revenues	
Over Expenditures - Net Change in Fund Balance	(\$103,794)
Beginning Fund Balance	<u>\$2,353,960</u>
Ending Fund Balance	<u><u>\$2,250,166</u></u>

The accompanying notes are in integral part of these financial statements.

STATE OF IDAHO  
IDAHO WHEAT COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

Net Change in Fund Balances for Total Governmental Funds (\$103,794)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense. Depreciation expense exceeded capital outlay in the current year by the following amount:

Capital Outlay	\$6,851	
Depreciation Expense	<u>(30,967)</u>	(24,116)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.

(1,389)

Change in Net Assets of Governmental Activities

(\$129,299)

The accompanying notes are an integral part of these financial statements.



# NOTES TO FINANCIAL STATEMENTS

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## NOTE #1

### *SIGNIFICANT ACCOUNTING POLICIES*

#### FINANCIAL REPORTING ENTITY

The financial statements of the Idaho Wheat Commission have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

The Commission contributes to the cost-sharing multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho and the Commission is not the major participant in the plan; therefore, the plan financial statements are not included in this report.

#### BASIS OF PRESENTATION

##### Government-Wide Financial Statements

The statement of net assets and the statement of activities report all activities of the Commission as governmental activities. These activities are financed primarily from the wheat tax assessed on all wheat as it enters the channels of trade in Idaho.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Commission. Direct expenses are those specifically associated with a function and therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by recipients for goods or services offered by the program. Revenues not classified as program revenues are presented as general revenue.

##### Fund Financial Statements

The fund financial statements provide information about the Commission's Special Revenue Fund. Fund financial statements differ from government-wide financial statements as explained below.

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

### Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the balance sheet. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

### Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The Commission considers all revenues reported in the Special Revenue Fund to be available if the revenues are collected within 60 days following year-end. Wheat assessments and interest are considered to be susceptible to accrual. Expenditures are recorded when the related liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

## CAPITAL ASSETS

Capital assets are reported at cost less any accumulated depreciation. Only assets with a value of \$5,000 or more, and with a useful life of more than one year, are capitalized. The costs of normal repairs and maintenance that do not add to an asset's utility or materially extend an asset's useful life are not capitalized. As discussed below, the Commission has only one capital asset at the end of fiscal year 2005.

### Building

The cost of the building before depreciation was \$1,231,665 at July 30, 2004. During fiscal year 2005, the Commission incurred an additional \$6,851 in building costs. The cost of the building before depreciation on June 30, 2005 was \$1,238,516. The accumulated depreciation amount for fiscal year 2004 was \$30,792. The depreciation amount for fiscal year 2005 was \$30,967. The total accumulated depreciation at the end of fiscal year 2005 was \$61,759. The building is depreciated on a straight-line basis over 40 years. The annual depreciation amount for the remaining 38 years will be \$30,967. Since the purchase was made in July 2003, a full year of depreciation was taken in fiscal year 2004. The book value of the building as of June 30, 2005 is \$1,176,757. All depreciation is charged to administration.

**NOTE #2**  
**CASH AND INVESTMENTS**

BUDGETS AND BUDGETARY ACCOUNTING

The Commission adopts an annual budget on a modified accrual basis. Idaho Code, Section 22-3310, provides the Commission with a continuous appropriation, therefore, spending authority is not limited by the legislature.

OTHER

Refunds received are credited to the original expenditure classification.

Accounts payable are vendor-payment transactions occurring after the June 30 fiscal year-end for goods and services received by the Commission prior to June 30.

The Commission participates in various self-insurance programs established by the State for property and casualty losses and employee health insurance. Coverage includes property, general liability, and workers' compensation.

The ending cash balance at June 30, 2005, consists of checking and savings deposits of \$92,294, that are insured by the Federal Deposit Insurance Corporation (FDIC).

The Commission participates in the Local Government Investment Pool, an unrated external investment pool sponsored by the Idaho State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statements, is available from the Office of the State Controller, Bureau of Reporting and Review, P.O. Box 83720, Boise, Idaho 83720-0011.

Interest Rate Risk

The following schedule represents the Commission's investments in the external investment pool and a distribution of the pool's maturities at June 30, 2005.

	<u>Fair Value</u>	<u>Maturity</u>
Investment in External Investment Pool	\$2,117,578	1 Yr. Average

The State Treasurer has an informal investment policy that limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

### NOTE #3

#### COMPENSATED ABSENCES

State of Idaho employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For purposes of earning and accruing overtime there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.
2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those ineligible for overtime.

Under certain circumstances, employees eligible for overtime may accrue earned administrative leave on an hour-for-hour basis. Earned administrative leave is treated similarly to vacation leave but is not subject to any limitation. Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Earned administrative leave
3. Overtime for those eligible for payment

All vacation and compensatory pay is accrued in the government-wide financial statements when the benefit is incurred. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignation or retirement.

Upon retirement, 50% of the unused sick leave value, not to exceed 600 hours, is used by the Public Employee Retirement System of Idaho to purchase supplemental health insurance for the retiree.

The changes to compensated absences are:

	<u>Fiscal Year 2005</u>
Beginning Balance	\$9,654
Increases	12,675
Decreases	<u>(11,286)</u>
Ending Balance	<u><u>\$11,043</u></u>

Of the total amount at June 30, 2005, the Commission estimates, based on past experience, that \$5,632 is due within one year.

### NOTE #4

#### PENSION PLAN

The Public Employee Retirement System of Idaho (PERSI), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute.

Designed as a mandatory system for eligible State and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits once they reach the age specified by their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% or 2.3% (depending on employee classification) of the average monthly salary for the highest consecutive 42 months.

For the year ended June 30, 2004, the required contribution rate for general employees was 9.77% and 5.86% of covered payroll for Correctional Industries and its employees, respectively. For the year ended June 30, 2005, the required contribution rates increased to 10.39% and 6.23%. The Commission's contributions required and paid were \$18,415, \$16,780, and \$18,875 for the three years ended June 30, 2003, 2004, and 2005, respectively.

The PERSI Choice plan makes up the State's defined contribution retirement plan. Statutes governing the PERSI Choice are in Idaho Code, Title 59, Chapter 13. Participants direct their own investment mix without restriction and may elect to change their salary deferral every pay period.

**NOTE #5**  
**FUNDING**

The Commission is financed by a 1½¢ per-bushel tax collected by the Commission on wheat as it enters the channels of trade in Idaho. The amount of funds received by the Commission is subject to various conditions, including market price, storage of wheat, weather, and number of acres planted.

**NOTE #6**  
**LEASES**

The Commission is committed to an operating lease for its photocopier. The lease term is 60 months (5 years), monthly payments are \$159, and the lease cannot be canceled. The Commission has the option to buy the copier for fair market value at the end of the lease term.

Lease expenditures were \$1,908 in fiscal year 2005. Future minimum lease payments are shown below:

<u>Fiscal Year Ending June 30</u>	
2006	\$1,908
2007	1,908
2008	1,908
2009	<u>636</u>
Total	<u>\$6,360</u>

**NOTE #7**

***RELATED-PARTY TRANSACTIONS***

The Commission works jointly with the Idaho Grain Producer's Association. The Association provides lobbying activities, recommends new Wheat Commissioners, completes surveys, and provides marketing activities for the Commission. The Commission does not obtain other bids for these services and has used the services of the Association for several years. In fiscal year 2005, the Commission made the following payments to the Association:

1. \$240,000 for lobbying, marketing, and related activities.
2. \$48,000 to subsidize the production of the Association's quarterly magazine.
3. \$10,000 to subsidize the Association's annual convention.
4. \$5,000 for travel costs incurred by members of the Association.

As of June 30, 2005, there were no receivables or payables due to or from the Association.

The Commission gave the Idaho Rural Partnership a discount on its annual lease amount (valued at \$5,000) in exchange for a position on the Idaho Rural Business Development Council.

The Commission gave the Idaho Council on Industry and the Environment a discount on its annual lease amount (valued at \$1,000) in exchange for membership privileges on the Council.

STATE OF IDAHO  
IDAHO WHEAT COMMISSION  
SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Marketing	\$382,349	\$382,349	\$331,592	\$50,757
Research	571,172	571,172	537,142	34,030
Producer Information	376,000	376,000	364,298	11,702
Education and Promotion	95,700	95,700	65,537	30,163
Administration				
Salary	203,000	203,000	192,454	10,546
Benefits	67,200	67,200	62,519	4,681
Travel	52,000	52,000	38,527	13,473
Office Operations	47,500	47,500	60,751	(13,251)
Capital Outlay	5,000	5,000	6,851	(1,851)
Total Expenditures	<u>\$1,799,921</u>	<u>\$1,799,921</u>	<u>\$1,659,671</u>	<u>\$140,250</u>

The accompanying notes are an integral part of these financial statements.

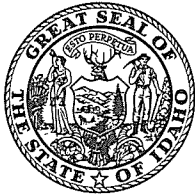
# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING

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Idaho Code, Section 22-3310, provides the Commission with a continuous appropriation to defray expenses related to the Commission's mission of promoting, researching, and developing markets for Idaho wheat.

The budget process is initiated by the Commission in April or May each year, with the Commission reviewing funding requests and spending proposals. The Commission approves the budget in June for the following budget fiscal year – July 1 to June 30. Each quarter, the Commissioners review budget to actual expenditures as a budgetary control process. The budget and expenditures are accounted for using a modified accrual basis of accounting.





# Legislative Services Office Idaho State Legislature

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Carl F. Bianchi  
Director

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August 30, 2005

Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance  
With Government Auditing Standards

Joint Finance-Appropriations Committee  
of the Idaho State Legislature  
State Capitol Building  
Statehouse Mail

Senators and Representatives:

We have audited the basic financial statements of the Idaho Wheat Commission as of and for the year ended June 30, 2005, and have issued our report thereon dated August 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

#### Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

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20

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*Serving Idaho's Citizen Legislature*

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Idaho Wheat Commission and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Thomas R. Haddock". The signature is fluid and cursive, with the first name "Thomas" and last name "Haddock" clearly legible, and "R." as a middle initial.

Thomas Haddock, CPA, CGFM  
Legislative Audits

# APPENDIX

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## HISTORY

The Idaho Wheat Commission was established in 1959 by Idaho Code, Title 22, Chapter 33. Organizationally, it became part of the Department of Self-Governing Agencies in 1974.

## PURPOSE

The purpose of the Commission is to promote public welfare by providing means for the protection, promotion, study, research, analysis, and development of markets concerning Idaho wheat.

## ORGANIZATION

The Commission consists of five commissioners appointed by the Governor upon recommendation of the Idaho Grain Producers Association. Commissioners serve a five-year term. The dean of the University of Idaho, College of Agriculture, serves as an ex-officio member. The office staff consists of an executive director, director of programs, project coordinator, and an office manager.

## FUNDING

In the first session of 2001, the Idaho Legislature passed House Bill 91 creating a variable wheat tax rate to be determined at the discretion of the Idaho Wheat Commission. Effective July 1, 2001, the rate dropped from 2¢ to 1½¢ per bushel. The rate is capped at a maximum of 2¢ per bushel.

The Commission approves an annual internal budget that allocates funds toward various research, marketing, and promotional activities.

The 1998 Idaho Legislature passed House Bill 555, allowing the Idaho Wheat Commission and other Idaho commodity commissions control of their receipts and the ability to adopt accounting procedures independent of the State of Idaho Controller's Office. The Idaho Wheat Commission submits annual audits of financial records to the appropriate agencies and legislative committees as defined in the enabling legislation.